TERRORISM RISK INSURANCE REVISION AND EXTENSION ACT OF 2007

- Extend TRIA for 10 years with current co-payments and deductibles for conventional terrorism acts
- Incorporate domestic terrorism acts
- Set trigger at $50 million
- Maintain post-event mandatory repayment amounts for property-casualty losses at $27.5 billion
- Insert an NBCR component that:
    - Requires insurers to make available NBCR coverage on same terms and conditions
    - Has Treasury determining whether to treat a covered terrorism act as conventional or NBCR at time of certification
    - Applies TRIA's original rate and form interim implementation standards to the new NBCR insurance product through December 31, 2008
    - Establishes a 7.5 percent insurer deductible for NBCR events and applies current 15 percent co-payment above the deductible up to the program cap, with a step-down mechanism that significantly decreases the co-payment for larger events
    - Clarifies that pollution exclusions will not apply to covered NBCR terrorism events
- Provides additional legal certainty to insurers by:
    - Clarifying annual cap language to ensure that the program cap takes into consideration workers' comp and other State mandatory coverage laws
    - Establishing new statutory disclosure requirement regarding the cap for insurance contracts covering TRIA losses
    - Providing a notice to industry at $80 billion; this would allow a clear transition period for industry to make preparation as the cap is neared to cease insurer payments and to unwind and halt the claims process once the cap is pierced
    - Adding new language in §103(e) to clarify that the limits of an insurer's financial exposures are confined to its applicable deductible and co-payments, and to provide that claims concerning these limits would be consolidated in a federal court
    - Reimbursing insurers for: (1) payments exceeding the cap that are made before the Treasury notice that the cap has been pierced; and (2) payments exceeding the cap ordered by a court, provided that insurers make a good-faith defense effort. Treasury will have the right to intervene in such court proceedings.
- Modifying TRIA's purposes to include language that the law "provides finite liability limits for terrorism insurance losses for insurers and the government"
    - Improve implementation around the $100 billion cap by:
    - Requiring Treasury to notify Congress and the industry
        - Within 10 days after the event if it is likely to cause the piercing of the cap
        - When losses reach $80 billion
        - Again when losses reach $100 billion

    - Mandating that Treasury finalize regulation regarding *pro rata* allocations within 120 days of enactment and providing Treasury with emergency rulemaking powers
- Add group life to TRIA's covered lines by:
    - Defining group life to include term, accidental death, universal, and variable universal, but excluding COLI/BOLI coverage
    - Creating a separate $5 billion recoupment pool
    - Applying "amount at risk" as the metric for determining insurer deductibles and recoupment amounts, instead of prior year premiums
        - "Amount at risk" with respect to group life is defined as death benefit less any cash value
        - "Amount at risk" is used instead of premium for group life because group life premium takes into account different risks that would not be appropriate for or correlated with terrorism risk, including age and occupation
- Require Treasury reports to Congress on market conditions and program operations at 3, 6, and 9 years out
- Create a blue-ribbon commission to propose long-term solutions to covering terrorism risk with 19 members and reports at 5 years (interim) and 8 years (final) out
- Revise definition of "control" to make it parallel to language in Bank Holding Company Act
- Update findings and purposes to reflect group life and NBCR changes
- Prohibit life insurance companies from denying or reducing coverage based on future foreign travel
- Add a reset mechanism for areas impacted by significant terrorist attacks to lower the deductibles and triggers in such areas
- To modestly build capacity, provide that the $100 billion program cap is net of insurance industry obligation – that is, the cap on the federal share will be $100 billion, and the insurance industry obligation (deductible plus copayment) will be in addition to that $100 billion. This is not intended to increase the co-payment obligation of insurers.